

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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DRAFTED BY EB/AN:JBMAGNOR:DAP

APPROVED BY EB/AN:MHSTYLES

EUR/IB - E. ROWELL

CAB - F. MURPHY

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FM SECSTATE WASHDC

TO AMEMBASSY LISBON

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E.O. 11652:N/A

TAGS: EAIR, PO

SUBJECT: CIVAIR: GOP GOVERNMENT ORDER EXTENSION GIT
FARES

1. PURSUANT TO GOP GOVERNMENT ORDER, TAP ON JANUARY 7
FILED TARIFF REVISIONS WITH CAB WHICH PROPOSE THE EXTENSION
OF CURRENT 7/8-DAY WINTER GROUP INCLUSIVE TOUR (GIT) FARES
INTO SHOULDER AND PEAK SEASONS. PAN AM AND TWA HAVE FILED
COMPLAINTS REQUESTING SUSPENSION AND INVESTIGATION OF THE
TAP FILING, AND CAB PROPOSES DISAPPROVE THE FILING. THERE
IS NO RATE ARTICLE IN US-PORTUGAL CIVAIR BILATERAL AND US
THEREFORE NOT OBLIGED TO SOLICIT GOP VIEWS IN CONNECTION
WITH CAB'S CONSIDERATION OF TARIFF FILING. HOWEVER,
SINCE FILING IS RESULT OF GOVERNMENT ORDER, EMBASSY SHOULD
ADVISE APPROPRIATE PORTUGUESE AUTHORITIES ON INFORMATION
BASIS THAT US AERONAUTICAL AUTHORITIES ARE DISSATISFIED
WITH EXTENSION WINTER GIT FARES, DRAWING AS NECESSARY ON
MATERIAL BELOW BUT OBSERVING RESTRICTIONS DESCRIBED PARA 4
BELOW.

2. THE PRESENT WINTER GIT AT \$329 ROUND TRIP NEW YORK-
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LISBON IS DUE EXPIRE MARCH 31 WITH THE REST OF THE IATA

NORTH ATLANTIC WINTER FARE STRUCTURE, BUT PRESUMABLY WILL BE EXTENDED THROUGH APRIL 15 BY IATA AGREEMENT AS IN PAST YEARS. TAP PROPOSES APPLY GIT AT \$409 DURING PERIODS

APRIL 16-JUNE 15 AND AUGUST 1-OCTOBER 31. THE \$409 FARE IS BELOW AND CONTAINS MORE LIBERAL CONDITIONS THAN LOWEST PROMOTIONAL PEAK FARE APPROVED BY CAB.

3. US AUTHORITIES RECOGNIZE LEGITIMATE PORTUGUESE INTEREST IN PROMOTING TOURISM BUT BELIEVE THIS MUST BE ACCOMPLISHED ON SOUND ECONOMIC BASIS. THERE IS LITTLE DOUBT THAT TAP FARE WOULD RESULT IN SUBSTANTIAL DILUTION OF CARRIERS' YIELDS IN THE US-PORTUGAL MARKET. ACHIEVEMENT OF COST RELATED NORTH ATLANTIC FARE STRUCTURE HAS BEEN FRUSTRATED IN LARGE PART BY PROCLIVITY OF MANY CARRIERS TO OFFER PROMOTIONAL FARES COMPETITIVE WITH CHARTER RATES. IT IS LIKELY THEREFORE THAT TAP PROPOSED FARE COMING AS IT DOES AT TIME WHEN SUMMER SEASON IATA FARE STRUCTURE UNDER NEGOTIATION WILL STIMULATE COMPETITIVE FILINGS IN OTHER NORTH ATLANTIC MARKETS FURTHER DETERIORATING THE FINANCIAL POSITION OF IATA CARRIERS.

4. FYI: THE CAB ON JANUARY 24 ORDERED-SUBJECT TO PRESIDENTIAL APPROVAL-THE SUSPENSION OF THE TAP TARIFF FILING. THE PRESIDENT HAS 10 DAYS IN WHICH TO ACT ON THE ORDER, AND IN MEANTIME IT IS CONFIDENTIAL IN NATURE AND SHOULD BE TREATED ACCORDINGLY. STATUS OF CAB SUSPENSION ORDER SHOULD BE TREATED IN LIKE MANNER AND SHOULD NOT BE DISCUSSED SPECIFICALLY WITH PORTUGUESE UNTIL PRESIDENTIAL ACTION IS COMPLETE. END FYI.

5. WHILE EMBASSY'S APPROACH ON INFORMATION BASIS ONLY, PORTUGUESE MAY ARGUE THAT SUSPENSION TAP FARES INAPPROPRIATE AND THAT MATTER SHOULD BE SUBJECT OF INTERGOVERNMENTAL NEGOTIATIONS. PORTUGUESE MAY ALSO ARGUE THE TAP FARE IS IN ANY EVENT RESULT OF GOVERNMENT ORDER. IF THESE POINTS ARE RAISED EMBASSY MAY RESPOND TO EFFECT THAT US-PORTUGAL BILATERAL DOES NOT INCLUDE PROVISIONS DEALING WITH FARES AND HENCE THERE IS NO OBLIGATION OR REQUIREMENT TO NEGOTIATE ON QUESTION. IN PAST CAB HAS MADE CLEAR THAT LIMITED OFFICIAL USE

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FACT FARE MAY BE ORDERED BY FOREIGN GOVERNMENT DOES NOT OF ITSELF PROTECT THAT FARE FROM CAB REVIEW. MOREOVER, CAB HAS NEVER APPROVED A PEAK-SEASON FARE OF THE TYPE PROPOSED BY TAP AND THAT FARE IS NOT INCLUDED IN THE NEW IATA AGREEMENT WHICH WE UNDERSTAND WILL SOON BE FILED FOR SUMMER 1975 EFFECT. KISSINGER

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